

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

FOREIGN

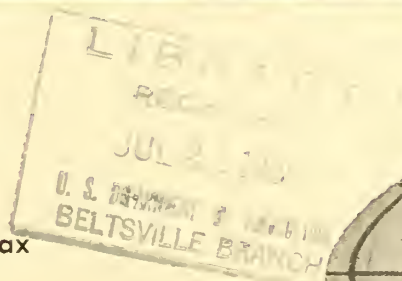
NOVEMBER
1959

AGRICULTURE



Japanese woolen textile plant.

Changing Venezuelan Market
Agriculture in International Age
Textiles—Wool, Progress Abroad,
Cotton Exports, West Europe's Flax



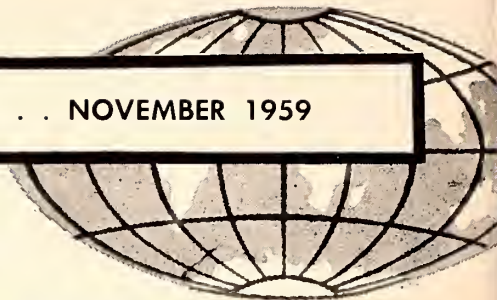
UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN

AGRICULTURE

VOL. XXIII . . No. 11 . . NOVEMBER 1959

To report and interpret world
agricultural developments.



The International Age in Agriculture

The United States Department of Agriculture is home of a unique institution known as the Graduate School. Here, after the day's work is done, nearly 4,000 men and women—some are USDA employees, some come from other agencies, some from private industry—gather to continue their education. Classes are taught by highly competent instructors and cover a wide range of subjects. The school is self-financing, all costs being met by student fees.

The Graduate School also performs other public services, including sponsorship of an annual lecture series in which recognized authorities speak on timely subjects. The current series is on the theme "The International Age in Agriculture." We are pleased to present in this issue a summary of the first lecture. On the subject "Food for Peace," it was delivered by Dr. Don Paarlberg, former Assistant Secretary of Agriculture, now Assistant to the President. In this lecture, Dr. Paarlberg calls for a reorientation of thinking so that our advanced agricultural technology and increasing abundance, rather than being viewed as problems, are regarded as opportunities to help less endowed nations solve their own problems.

There will be four additional lectures in the series, covering agricultural technical assistance and world marketing. The lectures will be carried in condensed form in *Foreign Agriculture* and will be printed in full in a brochure to be issued by the Graduate School.

Cover Photo

Sorting fleeces at Daito Woolen Spinning and Weaving Co., Ltd., Japan. In both Japan and the United States, manufacturers are using more manmade fibers in wool textiles (see p. 10).

In This Issue

	Page
U.S. Farm Products Face Changing Venezuelan Market	3
U.S. Agriculture's Venture into the International Age..	5
Australia Ponders New Wheat Policy	7
Sweden Revises Price and Market Policy	9
World Wool Industry Sees Increased Competition From Manmade Fibers	10
Textile Progress Abroad	12
Big Share of U.S. Cotton Exports May Go to Asia and Australia	14
West Europe's Flax Industry Is Having Difficult Times..	15
Indus Waters Dispute	17
Chile's Agricultural Trade Problem	19
Foreign Production News	21
Major Coffee Countries Sign International Coffee Agreement	21
Trading Post	23

Editor:

Alice Fray Nelson

Associate Editor:

Ruth A. Oviatt

Advisory Board:

W. A. Minor, Chairman; Wilhelm Anderson, F. L. Erhardt, Kenneth W. Olson, Paul E. Quintus, Gerald E. Tichenor

Foreign Agriculture is published monthly by the Foreign Agricultural Service, United States Department of Agriculture, Washington 25, D. C. Use of funds for printing this publication has been approved by the Director of the Bureau of the Budget (September 4, 1959). Yearly subscription rate is \$1.75, domestic, \$2.50, foreign; single copies are 15 cents. Orders should be sent to Superintendent of Documents, Government Printing Office, Washington 25, D. C.



Venezuela's modern markets reflect the higher standard of living in many urban areas. Right, our No. 1 export product is dried whole milk, but Denmark, Canada, Holland are competing strongly for the market.



U.S. Farm Products Face Changing Venezuelan Market

By Constance Farnworth
Latin American Analysis Branch
Foreign Agricultural Service

The market for U.S. farm products in Venezuela, which is large and had been growing larger, showed signs of weakening in 1958 for the first time in a decade. Although total value of farm imports from the United States last year slightly exceeded the 1957 total, our share dropped to only about 50 percent of the market—compared with 58 percent the previous year and almost 65 percent a decade ago. Also, our biggest single export—dried whole milk—lost considerable ground. Largely responsible for this change are, first, increasing competition from third suppliers and, second, expanding domestic output of some commodities previously imported on a large scale.

On the brighter side, however, we had a dollar market in Venezuela last year of close to \$100 million for our farm products, and prospects are good

for making gains in the market for sales of products such as wheat, which historically have been small. Too, Venezuela should continue as a healthy market for a number of farm products for several years to come, challenging our best efforts to boost our declining share

Competition From Third Suppliers

Other suppliers found it possible in 1958 to provoke a substantial change in the Venezuelan market for U.S. farm products. Competition helped cut the \$39 million worth of Venezuelan imports of U.S. preserved milk, eggs, and wheat flour by almost a third between 1957 and 1958. These three items supplied 40 percent of Venezuela's farm imports from us in 1957 and only 27 percent in 1958. Disruption of such a market is cause for concern.

Although the United States still held

first place for preserved milk in 1958, competitors were pushing hard and U.S. preserved milk sales dropped by about \$5 million, a decrease of 28 percent from the previous year in spite of a growing Venezuelan market. On a quantity basis, the United States had slightly over half of the market in 1957 and a little over a third in 1958. Denmark took the lead in increasing its share between those 2 years although Canada was our No. 1 competitor and the Netherlands was in second place. An unfavorable price for U.S. brands of dried whole milk was blamed for the decline in our sales because U.S. brands continue to be very popular in Venezuela.

For eggs, we had a growing market in Venezuela until 1958; then their imports from us declined 24 percent from the previous year and our share of the

market dropped from 71 percent to 48 percent. On the other hand, Venezuela bought over 1½ times as many eggs from Canada as in the previous year, and Canada's share of the market increased from 23 percent to 34 percent. The other strongest U.S. competitors were Denmark and Poland. The egg story was largely a repetition of that for milk—U.S. prices were not competitive.

The U.S. share of Venezuela's wheat-flour imports, too, declined in 1958, in an overall declining flour market. While

imports from the United States were down about 17 percent, Canada picked up part of the market we lost, thereby increasing its share. Canada also forged ahead of us in the relative expansion of its wheat sales from the previous year in a rapidly growing Venezuelan market. It boosted its share of the Venezuelan wheat imports from 18 percent to 43 percent, while our share declined from 82 percent to 56 percent. A dynamic Canadian sales program is credited with moving larger quantities of Canada's products into Venezuela in 1958. Despite these adversities, the United States was still able to hold first place for both wheat and flour sales to Venezuela.

Here are the standings for some of Venezuela's other imports:

- Denmark and the Netherlands have the largest share of the Venezuelan cheese market. The United States was in second place as a supplier in 1957, but dropped to third place in 1958
- Canada has taken the lead in the growing oatmeal market—with shipments totaling 39 million pounds in 1958. The United States has not been in first place on a quantity basis since 1954.
- Argentina is pushing for Venezuela's fresh fruit market which is also expanding rapidly. Although the fruit seasons of Argentina and the United States are reversed, the same type of

fruit is supplied by both countries—mostly apples, pears, and grapes. Improved storage facilities in Venezuela could increase competition.

Third-country competition is still of little threat to the United States for a significant list of food items including barley malt, canned food, dietary foods, canned fruit, dried fruit, cigarettes, and chickpeas, peas, and lentils.

Domestic Production

Larger Venezuelan output of a few choice import items is also changing the market for our products. This change was felt in our wheat-flour sales over the past year and is expected to be felt even more strongly this year and in succeeding years. Venezuela is energetically going into the flour-milling business, and, as a result, imports are shifting from flour to wheat. Three new flour mills have been completed and five others are under way or projected. Venezuela is now nearly self-sufficient in flour production, but a \$6-million market for wheat developed in 1958. This market promises to be much larger in 1959 with our share increasing, for Venezuela is not climatically suited to grow wheat on a large scale.

Pear, peach, and apricot nectar are prepared in Venezuela from imported pulp and are becoming increasingly popular. Therefore, fruit pulp imports from the United States are increasing, whereas imports of U.S. fruit juices are declining.

Venezuela is producing more of some products, such as dried whole milk, eggs, cigarettes, and some canned goods, but consumption is still outstripping production. Imports will continue to climb—although probably at a slower rate than they would have—unless import controls hamper sales.

Conversely, stimulated domestic production and import regulations had already forced a downward trend in imports of a few products before 1957. These include frozen chickens, lard, butter, and potatoes. Frozen chicken imports alone declined sharply from 5 million pounds in 1950 to only 0.6 million in 1952 following the 1951 embargo on frozen chicken imports. In 1958, imports were only 57,000 pounds. We have always had nearly

(Continued on page 20)



Modern grain elevator for storing imported wheat (left) contrasts sharply with the usual grain storage on farms.

Courtesy Pan American Union



U.S. Agriculture's Venture Into the International Age

Don Paarlberg, Special Assistant to the President, delivered the opening talk in a series on the International Age in Agriculture, sponsored by USDA's Graduate School. This article is an adaptation of his talk.

Our generation, in the mid-twentieth century, is witness to a conjunction of great, historic events: First, the awakening of the underdeveloped nations; second, East-West rivalry in assisting these nations toward economic betterment; third, a major breakthrough in agricultural technology.

Many people see in these great events only the grave and difficult problems which they have created. Looking at them separately and from a traditional point of view leaves one bleak and baffled. This arises from the inclination to be problem-prone rather than opportunity-oriented. What we need to do is to view these events with a fresh look—not separately but in relationship to one another.

Thus seen, the breakthrough in agricultural technology gives us the opportunity to help the developing nations to help themselves, to help build a political, economic, and social structure suited to their aspirations and oriented toward freedom, therewith to strengthen the free world in its struggle with the forces of totalitarianism.

Among the various areas of our rivalry with the Soviet Union, there is no economic sector in which our advantage is as clear-cut as in agriculture. This is true despite recent Soviet advances in this field. We have a great opportunity in this comparative advantage, and we have gone a long way toward fulfilling it. The people of the developing countries are primarily agricultural; perhaps 85 percent of them live on farms or in farm villages. Their greatest needs and their greatest understanding are in farming; and there is no better medium by which we can communicate with them. They need the fruits of our agricultural sciences, they need what we have learned about agricultural education, they need the food and fiber that fill our warehouses and that our farms are capable

of producing in large volume. Starting up the ladder of industrialization, they need the agricultural improvement that releases people from farming to non-farm jobs.

There are some who view the food needs of the developing parts of the world simply as a safety valve to permit the continuation of unsound price support legislation in the United States. What I am suggesting is something far different: the conscious reorientation of our farm policies with respect to the needs and the opportunities of our foreign policy. This is not a new thought; it has already been partly put into effect.

Most in need of recasting are our price-support laws. Originally drafted to overcome a recession, retained to increase production during the war, they have been grudgingly but insufficiently modified to accommodate a scientific revolution. They are unlikely to be appropriate to the international age in agriculture. We have a workable agricultural export law; we need more appropriate domestic programs.

The public would probably support a reasonable farm export program that fits well into both our capacity for abundant production and our foreign policy; but it is not clear that the public will continue to support a price support program that grows even more costly and seems to fit very little that is rational. There is no need, with the present high level of agricultural output, to use price supports at inducement levels.

Production controls seem unable to choke off the abundant flow of agricultural products. And the total cost of endeavoring to purchase nonproduction, through various programs which have had that intent, is a heavy cost indeed. In other words, it may cost about as much to prevent the

production of a bushel of wheat as it does to grow that bushel and move it abroad even if no monetary payment is received.

Many good people have a wary attitude toward farm legislation designed to move increased amounts of American farm products overseas. This is because most such proposals in the past have involved some kind of dumping scheme or some threat to the international price structure. This wariness was originally reflected in a skeptical attitude toward Public Law 480, the chief legislative machinery for these special export programs. But the experiences of the past 5 years have considerably reduced this apprehension. The idea that the special export programs must move *additional* quantities of farm products, beyond what the regular market will take—this is what distinguishes Public Law 480 from other export programs.

If a special export program enables us to help meet the food needs of the developing countries and at the same time permits us to find a useful outlet for our abundant production, this is all to the good. Public Law 480 is such legislation. That it serves two purposes rather than one does not diminish the importance of either.

Our agricultural shipments are a combination of conventional commercial sales for dollars and of special export programs. Last year (fiscal 1959) the United States exported \$3.7 billion worth of farm products, production from the equivalent of approximately 40 million acres. About \$2.4 billion worth—the greater amount—was sold for dollars, much of it under export subsidies; \$729 million worth, sold for the currencies of the nations buying the goods; \$189 million worth, donated to needy people and charitable institutions abroad; \$144 million worth bartered for strategic materials. When special export programs are used, the purpose must continue to be to shift to dollar sales as soon as possible.

Food can be a powerful ambassador of good will and hence an effective instrument for peace. The food exporting nations can associate themselves together helpfully in this endeavor, as with the leadership of Secretary Benson they are now doing. This is the purpose of the "Food for Peace"

program announced by the President and administered by the Secretary of Agriculture. Specifically, this program involves an expansion of commercial trade in farm products and a strengthening of our special export programs.

It may well be that the "Food for Peace" effort will yield its greatest returns in improved international relationships and in better understanding, rather than in sharp increases in the quantity of food moving under special export programs. This, of itself, would be worthwhile. Nevertheless, every constructive effort is being made to increase these movements of agricultural products in a manner helpful both to the countries that ship this food and those that receive it.

We have much to contribute in the form of agricultural science and education as well as in the form of the farm products themselves. American agricultural science is on the march throughout the world. In some 54 countries more than a thousand American agricultural scientists are at work under a wide variety of government and private programs. Since the end of World War II, thousands of foreign-born agricultural scientists have returned home after a period of study in the United States. Last year we received more than three thousand agricultural visitors from abroad. The American system of adult education in agriculture has been adapted and put to use in many countries.

Our scientific know-how must be *adapted* rather than *adopted*. We often forget that much of our own agricultural science was borrowed from abroad and adapted and improved in this country. In 1820 Thomas Jefferson wrote, "To prohibit us from the benefit of foreign light is to consign us to long darkness." We now have the opportunity and the responsibility to provide for others the kind of light and knowledge which were so important in our own development.

Further ventures into the agricultural age are beset, however, by illusions and problems and hazards great enough to discourage the faint-hearted.

One of the illusions is that economic development is a soothing experience and is likely to result in political, social, and economic stability in those developing countries which

experience it. This is simply not true. Agricultural advancement carries with it many difficult adjustments, as we have seen in this country: shifts in population, changes in land use, altered institutions in all the social sciences. These birth pangs of progress cannot be averted, though by the use of intelligence they may be diminished.

Another illusion is that if only the material needs of the developing nations can be met, these nations will renounce Communism. This is not true; the mind and the spirit are concerned as well as the stomach. Food is an essential but not a sufficient condition for the development of free institutions.

Still another illusion is that the agricultural problems of the developing countries can be met quickly and that the American tendency for excessive production will be of brief duration. This seems unlikely to be true. If programs are set up with the expectation that foreign needs will soon diminish and that the conventional market will soon take our total production, they will probably require reexamination.

One of the problems we face is to convert our thinking so as to view the great events of the mid-twentieth century as stepping-stones rather than as stumbling-blocks. Another is to hold to a reasonable level the public cost of programs associated with agriculture's venture into the international age. Another is to give technical assistance more status, to make foreign assignments long enough to be genuinely helpful, to think in longer terms than 2-year assignments and annual appropriations. Still other problems are to learn better how to distribute our agricultural products without disturbing either our own commercial markets or the marketing systems and price structures of the recipient countries; how to associate our efforts more helpfully with those of the other food producing and exporting nations; how to use the foreign currencies generated by our programs.

One more problem, and a great one, is to learn better how to terminate special export programs when the need for them has passed. Assistance must be such as to help these countries stand on their own feet and make their own way. Helping people to help

themselves is not a novelty. We have learned how to do this in a number of sectors. Western Europe was graduated from the Marshall Plan. We have shifted from sales for foreign currency to sales for dollars in Italy, France, Japan, and Austria.

A "Food for Peace" program is beset not only by illusions and by operating problems but by positive hazards as well. One often-stated hazard is the possibility that the rapidly increasing populations in these countries may swallow up all that we can provide through our special export programs and through advancing agricultural technology.

Those who are pessimistically inclined will say that this risk is so great as to argue against undertaking the venture in any form. Bolder people see the need to introduce new technology in food production at a rate more rapid than the rate of increase in population. Indeed this very thing has occurred in recent years in most countries. There have been no major famines during the past decade. History records no previous experience of like duration. Our age is unique in that for the first time men in all parts of the world are daring to think seriously in terms of food enough for all.

The international age in agriculture is indeed a difficult and complex one. There is risk in every effort that can be made. But the risks of failing to face up to the opportunity are far greater than those of considered action.

We have, in various ways, propelled agriculture into this international age, largely as the result of unmanaged circumstances and without a full consciousness of the possibilities and the limitations of this course. The remarkable thing is that we have done as well as we have. From our recent years of accumulated experience in matching the capabilities of American agriculture with the needs of uncommitted and underdeveloped countries abroad, we now are reviewing and evaluating our experience, to evolve a conscious policy out of what typically has been a poorly understood though a rather successful venture.

Agriculture was formerly a stage-hand in the dramatic play entitled "Foreign Policy." It is now a legitimate member of the cast.

Australia, a top wheat exporter, is upping its output of hard-type wheat for even stronger competition on world wheat markets. Here, wheat from New South Wales—one of the States best suited to hard varieties—comes in by train, right, for loading onto ship, left.



Australian News and Information Bureau photographs

Australia Ponders New Wheat Policy —as government and growers stress quality in production

A major production shift from soft to hard wheat in Australia is changing the whole pattern of the country's wheat marketing, both at home and overseas. Eventually these changes may improve Australia's position in export markets for soft wheat and at the same time give it a chance to compete with the United States and other countries for the world's hard wheat markets.

Australia has long been a top exporter of the soft varieties that make good flour for crackers, cake, noodles, and the like. The hard varieties that make good bread flour grow successfully in only a few areas of the world—the eastern slopes of the Rockies, parts of Uruguay, Argentina, Morocco, the Russian Ukraine. Among those areas Australia must now be counted.

Good bread flour, to stand up against today's commercial, large-scale, mechanical mixing, must have strong gluten for stamina and elasticity, as well as high protein. And it must be consistent in performance. For high gluten and protein content, wheat needs temperatures not too low in

winter and a nitrogen-rich soil not leached out by too much rain. Several Australian States are suitable for hard wheat; but until the mid-1950's, most Australian wheat growers were not interested in making the effort to switch from their traditional soft varieties.

The turning point came in 1953-54, when Australia found that increased world production of soft wheats, particularly in Europe, was hampering its exports. Also, wheat of better baking quality was getting premium prices, from both Australian millers and buyers in new markets of Asia and Africa.

The Australian wheat industry began to take stock of its ability to hold old customers and attract new ones. Lively discussions among growers' organizations, millers, bakers, and government people culminated in a conference in November 1958 on problems of grading and quality. Two committees appointed by this meeting have ever since been assessing Australia's wheat production and looking into the needs of different markets for different types of wheat. Their findings will probably reach the Australian Agricultural Council some time next spring, to be



Closer view of Australian bulk wheat being loaded on freighter for export.

Based on a dispatch by James H. Boulware, U.S. Agricultural Attaché, Canberra.

considered in the forming of an all-Australian wheat-production policy. In the meantime, everyone concerned agrees that whatever the new policy, wheat quality needs to be improved.

To some extent this improvement is already taking place. The strong and medium-strong wheats, which back in the 1930's occupied only about 3 percent of Australia's wheat area, by 1957-58 were claiming 43.5 percent. The government has encouraged this switch through premium payments, the introduction of better-yielding varieties, and the control of certified seed supplies. In response, Australian wheat breeders have turned away from a "fill the bags" policy that has always stressed large yields and high disease resistance rather than baking quality.

The appointment of the two committees, one on production and one on marketing, highlights the fact that the wheat problem has two main angles—what kind of wheat should be raised, and how the customer can be assured of getting the particular kind he wants. Like most large wheat producers, Australia has a storage problem. As great wheat crops go into bulk storage, it is hard to keep apart the kinds that bring premiums or fill special needs.

Australian States use the "fair average quality" export standard, first introduced in South Australia in 1888 as a fair example of the State's crop. For many years the f.a.q. samples worked reasonably well, since most Australian production was soft wheat with a relatively low protein content, used largely for blending with the stronger North American wheat. But as production has shifted toward stronger types, the f.a.q. samples have come to be neither soft nor hard. Customers with definite needs could not be catered to, nor could farmers that grow better wheat get a premium for it.

Australia's States are now getting around these difficulties in ways that vary with their types of wheat:

- In New South Wales two separate f.a.q. samples are taken, one from the northern part where most of the hard wheat grows. Most premium wheat is sold direct to millers; the Australian Wheat Board handles the rest in special bulk storages.

- In South Australia, which has a good Japanese market for both its soft

wheats and its hard wheats, the crop is now separated at the receiving stations into semihard and soft and sold on separate f.a.q. standards.

- In Victoria most wheat is soft and can be stored and marketed without difficulty on the f.a.q. basis. But the new medium-strong varieties now coming into some use may change this.

- In Queensland the grading problem arose very early, for this State's hard wheat has been earning premium prices at home and abroad since the 1920's. Four grades are used: two receive premiums, the third is lower quality but still millable, and the fourth is unmillable and is classed as feed. Storage is segregated by class; exports are mostly made on the basis of protein content or seller's sample, and no f.a.q. standard is warranted.

- In Western Australia, as in Southern Australia, a single f.a.q. sample no longer works since the proportion of hard wheat has risen. This State does not yet separate its crop, but a change in handling may soon be necessary.

These various ways of handling and selling wheat do not, however, solve the problem. Like the United States, Australia is waking up to the fact that export markets now are more quality-conscious and demand better wheats than in the past; also, that many markets are becoming self-sufficient in filler-type wheat.

Some Australian authorities feel that more high-protein wheat should be produced and marketed under a grading system separating hard from soft and high protein from lower. Others contend that this would depress the price of the softer wheats as well as increasing costs of handling. A proposal has also been made that the protein content and baking quality of the f.a.q. sample be improved. And there are those who feel Australian soft and filler-type wheat has a definite place.

How these different views will be brought together in a single policy remains to be seen. The Australian Government recognizes the changes that are now going on in the country's wheat industry and realizes that some revision in its production and marketing policies is overdue. But one thing is certain—when this policy revision comes it will mean much to Australia's position in the world wheat market.

P. L. 480 Extended For Another 2 Years

Public Law 480 (the Agricultural Trade Development and Assistance Act of 1954) has been extended for 2 more years under a bill signed by the President. This law has accounted for more than 25 percent of total U.S. agricultural exports during the 5 years of its life.

The foreign-currency sales program of Title I was extended for 2 years through December 31, 1961, with an authorization of \$1.5 billion for each year. The Title II provision for grants of commodities to relieve famine and other emergencies abroad also received 2 more years and an authorization of \$300 million for each.

Section 104(a) of the law, authorizing use of foreign currencies to help develop markets abroad for U.S. farm products, is amended to require that the amounts used under this section shall be as specified in appropriation acts. Not less than the equivalent of 5 percent of total future Title I sales is to be reserved, subject to appropriations, for market development. Particular regard is to be given to providing for convertibility of currencies for use in countries which are or may become dollar markets; and if funds are insufficient in such countries, special Title I sales are authorized under the amendment.

The extension bill provides that—with certain exceptions—before any food commodity is made eligible for foreign-currency sales, it shall first be made available in reasonable quantities to needy U.S. persons and families.

Other provisions:

- Authorization to establish a food stamp plan for distributing surplus foods to needy persons in the United States. The duration of this program is limited to 2 years beginning February 1, 1960; its cost, to \$250 million each year.

- Authorization for the President to enter into long-term supply agreements with friendly nations. This provision would authorize the delivery of U.S. agricultural surpluses for periods up to 10 years, with payments to be made in dollars for periods up to 20 years.

Sweden Revises Price and Market Policy

New program continues effort to meet a problem all governments have—keeping the farmer's income on a par with the city worker's.

By David W. Riggs
European Analysis Branch
Foreign Agricultural Service

The pursuit of income parity for Sweden's farmers has led the government to a further refinement of the basic agricultural policy, which was last revised in 1956. The new 6-year program, effective September 1, 1959, retains many features of the old law, but presents further protection for Sweden's farmers.

Past Policy

In the 1940's, the government, plagued by an overabundance of small uneconomic farms, devised the "basic farm" concept. This concept set up a basic unit as a yardstick for measuring farm prices and income: an imaginary farm of between 25 and 50 arable acres, rationally operated—that is, well managed. Government price and income policies were geared to provide for the owner of such a farm an income equal to that enjoyed by a stated group of Sweden's rural industrial workers. Farms smaller than this basic unit were recognized as a problem for which agricultural policy was not wholly responsible; and they were aided by direct subsidies in addition to those that most farms received.

In the 1950's, for the "basic farm" concept to work, domestic prices for agricultural products have had to be maintained at a level substantially higher than world market prices. Import excises under the 1956 law were intended to average not more than 25 percent of import prices.¹ However, by 1958 these excises had reached an

average of 35.5 percent for all domestically important products. Swedish prices have remained higher than corresponding import prices.

Funds derived from the import excises were used—in so far as necessary and possible—to subsidize exports of the same or related commodities. Neither imports nor exports were restricted as long as domestic prices remained within floor and ceiling limits. These limits were set at 10 to 15 percent below and above a "goal" price—the price at which it was hoped farmers could achieve the desired income. If domestic prices fell below the floor limit, import restrictions were reintroduced; if prices exceeded the ceiling, import taxes were reduced and exports restricted if necessary. When quantitative import or export restrictions were in effect, foreign trade organizations had a monopoly on foreign trade in their respective products, and they alone were eligible to receive export subsidies. Most of these organizations are basically cooperatives controlling their respective commodity groups.

The system permitted domestic prices to move in response to the world market within the limits set by the floor and ceiling prices. It was said to make the rule of comparative advantage more influential in shaping the pattern of production in Swedish agriculture. Notable exceptions were wheat and rye prices, which were fixed along with milling quotas before each milling season.

Sweden's New Policy

Sweden's Parliament assessed its 1956 3-year program this spring and modified the program to meet current conditions. Besides the price and market policy, programs concerning further rationalization of farm land and

buildings and aid to the small farmers were also modified.

Following a time-honored procedure in Sweden, the new program is based on an agreement between the Agricultural Negotiation Delegation (representing farm organizations) and the Agricultural Marketing Board (the regulatory agency). It was formulated in an effort to close the widening gap between farm income and the high income enjoyed by industrial workers, or, more specifically, between the income of the "basic farm" and that of the specified labor groups.

The new program maintains the system of goal, floor, and ceiling prices and import fees plus a "3 percent" rule. This rule states that whenever the Swedish agricultural index for costs of production differs from a "world market price index"² by more than 3 percent for 3 consecutive months, domestic prices are to be adjusted by half the observed difference. Farm producers' income is tied more directly to industrial wages, defined as wages paid the lowest two classes of laborers outside of Stockholm and Gothenburg. As wages increase in connection with collective agreements, farm prices will be raised by the same percentage.

Adjustments in the farm price level will be made by changes in import taxes. In contrast with the 1956 law, the present one sets no limits for these taxes. Floor prices, ceiling prices, and import taxes were adjusted upward on September 1, 1959, with subsequent adjustments to be made as indicated by movements in the industrial wage scale and by the 3-percent rule. When import taxes are raised, the increase will be applied uniformly for all commodities; however, the Agricultural Marketing Board is authorized to negotiate with the farm organizations to make exceptions. If wholesale prices cannot be kept within the limits of the floor and ceiling prices by adjusting import

(Continued on page 23)

¹ "Sweden Sets New Farm Price Policy," by Georg Frostenson, *Foreign Agriculture*, April 1956.

² This is a specially constructed index of representative European quotations for agricultural products important to Sweden. It includes quotations on wheat, sugar, oilseeds, butter, cheese, eggs, beef and veal, horsemeat, and bacon.



Photo from Wool Bureau, Inc.

Leaving St. Paul's in London are Millicent Robbins and Amelia Beth Loomis, who won a European trip in the Make It Yourself With Wool Contest that the Wool Bureau sponsors in Western wool States.

World Wool Industry Sees Increased Competition From Manmade Fibers

By Richard S. Welton
Livestock and Meat Products Division
Foreign Agricultural Service

The rapid rise in the use of man-made fibers has caused considerable alarm to the five Southern Hemisphere countries that are the world's major exporters of wool. In Australia and Uruguay, wool provides two-fifths of total foreign exchange earnings; in New Zealand, a third; and in Argentina and the Union of South Africa, a tenth. Each of the five countries has great stretches of land ideally suited for the pastoral industry but not readily adaptable to other enterprises. So a decline in wool consumption and prices can harm the whole economy.

Not until the past decade has real competition developed for wool. Cotton, silk, and other natural fibers have competed with it only to a limited degree. Rayon and nylon have affected cotton and silk more than wool except in certain end uses. But in the United States it is the newer chemical fibers

like Acrilan, Dacron, and Orlon that are having the greatest impact on wool consumption. World production of the newer manmade fibers increased sharply after World War II, and during the Korean War exceptionally high wool prices created an attractive market for them. As a result their use increased while that of wool declined.

This decline in wool consumption centers so far in the United States, the world's second largest consumer of wool (next to the United Kingdom). The United States, though itself a major wool producer, imports a large share of its wool needs—all of its carpet wool and generally around half of its apparel wool. In 1958, imports supplied 60 percent of all wool used.

However, U.S. imports in 1958 were only 258 million pounds, a far cry from the record of 1,054 million in 1946. Since U.S. production in recent

years has been fairly stable, this import slump means that considerably less wool is being used in the United States. Total consumption has fallen off about a third in the past 10 years. Mill use of apparel wool has been particularly hard hit; on a per capita basis, 1958 consumption was the lowest since the record low of 1918. True, last year was one of textile recession; yet the whole postwar trend has been downward.

How much of this decline can be attributed to manmade fibers is impossible to determine, but clearly that has been a major factor. Other factors include a trend toward clothing of lighter weight and, to some extent, an increase in imports of wool manufactures. Certainly the decline in wool consumption has been accompanied by a startling rise in the production and consumption of manmade fibers, particularly the noncellulosics (chemical fibers other than rayon and acetate). Last year U.S. mills used 470 million pounds of noncellulosics, not including

textile glass fibers— more than five times what they used 10 years ago.

Fortunately for the world's wool producers, consumption of wool in other countries has not followed the postwar U.S. trend, but has continued to move upward. Per capita use of wool is higher in most European countries than in the United States. Producers are concerned about the possibility that wool will be displaced in Europe as in this country, but this has not yet happened.

For one thing, consumers in many Western European countries, cut off from traditional wool sources during World War II, were forced to use manmade fibers that had not been perfected and so left an unfavorable impression. Their prices, too, were higher than wool prices, because production was comparatively small and the manufacturing processes had not been developed to their present state of efficiency. Thus, after the war, consumers turned back to wool. For another thing, the warmth and long wear of wool are more important in Europe, where central heating is not so widespread as in the United States, and where there still exists a mass market for the traditional "good wool suit" in conservative dark colors. The majority of European consumers are not so concerned as U.S. consumers about ease-of-care qualities, such as wash-and-wear, crease resistance, and moth resistance—qualities that have not become available in wool fabrics until recently.

Even in foreign countries, however, per capita use of noncellulosics is on the upgrade. In Western Europe, the rise is slow, and per capita use of wool is still nearly six times as large. But in Japan, per capita use of noncellulosics tripled between 1955 and 1957. Their increased use in Japan's wool textile industry has been more than offset by a decline in rayon use, especially for fine worsteds. Still, in 1958, all manmade fibers together accounted for 13 percent of total fiber consumption in Japan's wool textile industry—almost the same share as in the United States.

What is the world's wool industry doing to meet this competition? Promotion and research efforts are carried

out by the International Wool Secretariat (IWS), established in 1937 and financed by wool growers in Australia, New Zealand, and South Africa. In 1949, these wool growers joined American wool interests to form the Wool Bureau, Inc., for promotion, research, and education in the United States. IWS carries out joint promotional campaigns with spinners of wool-importing countries to educate consumers on the virtues of wool through newspapers, trade journals, radio and television, and movies. IWS also sponsors fashion shows and an international fashion design competition. In the United States, the Wool Bureau runs a "Make It Yourself With Wool" contest and an advertising program.

Research efforts of the IWS have been directed toward developing easy-care wool fabrics. Australian scientists have worked out a process for durable pleats and creases in trousers and skirts, using a solution with the same active ingredient as that used in the permanent waving of hair. Over 200 manufacturers in 12 countries are now using the process. Australia too is now introducing washable all-wool fabrics commercially. Also, studies at the Western Research Laboratories of USDA's Agricultural Research Service have shown that special resins can impart durable creases to washable wools, and that wool socks and sweaters can be made permanently shrinkproof with no damage to the inherent desirable qualities of the fiber. Another important research discovery is a mothproofing technique applicable in drycleaning.

The new developments should have an important bearing on wool's competitive position with other textile fibers. After a general textile recession last year, wool consumption is again on the uptrend in 1959. Its resurgence in the United States is particularly marked, and the proportion of raw wool to that of total fiber in certain end uses has increased significantly for the first time in several years. Can wool continue to improve its position and withstand the threat of increased competition from the newer manmade fibers? That will depend largely on the ability of wool producers to increase their research and promotion efforts—and price their product competitively.



Chemical developed at USDA's western laboratory keeps woolens in shape not only when they are wet (below) but after many washings (above).



Textile Progress Abroad

—the modern textile mill today is built for precision performance

Progress in cotton and wool textile mills abroad is aiding production and trade in the world's two big natural fibers and helping them meet the growing competition of the fibers man invents.

In the last 10 years, modernization has been the keynote everywhere. But progress has been most marked in the countries where industry had to start nearly from the ground up after World War II. In Germany, part of France and the Low Countries, Japan, Korea, the Philippines—wherever old-fashioned mills were destroyed, new ones have risen. Many of them house all new machines.

Forced by the war to do extensive rebuilding and re-planning, mill owners ended by revolutionizing their whole industry. New buildings are scientifically planned for space and strength. Lighting is the most modern. Air conditioning delivers the right volume of clean air at the right temperature and moisture. Materials handling from machine to machine is now often automatic. Quality control has been simplified and its cost cut; this contributes to overall quality performance.

The biggest difference, though, is in the machines themselves. For 50 years, textile processes had stayed basically the same; but since the war a new machine has been developed, or a traditional one improved, for almost every stage of manufacture. Today's producer of wool and cotton goods is alert to all these changes in technology, for he finds that they pay off in larger output, lower costs, and even better quality than he had in the old days.

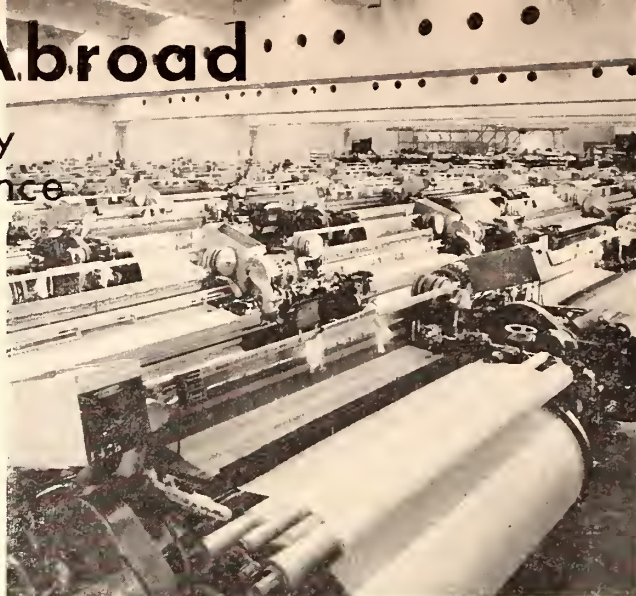


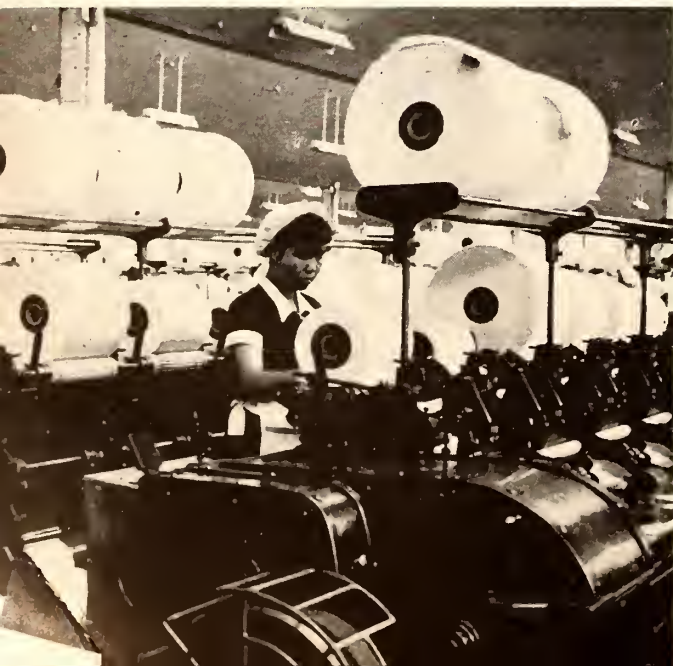
Photo from Remy Bouters

Weave room at Cotonniere de Bruges, Belgium. Beams are ducts, deliver same amount of conditioned air at each vent.



Japan's Toyo Spinning Company ("Toyobo") uses combers of Nasmith type to process cotton in its Hamamatsu mill.

Photo from Toyobo



Royal Netherlands Cotton Spinning Mill, Hengelo, replaces one bombed in war. Spinning frames have individual drives.

Photo by Horace G. Porter





In Portugal's modern wool finishing factory, operator examines product of machine that winds wool tops in balls.

Photos by H. K. Ferguson

Near Lisbon, the Portuguese Wool Producers' Cooperative has a modern finishing plant. Above, greasy wool is sorted.



Wool mills of France's Prouvost et Cie. rank with Europe's biggest. Air view shows where woolen goods are made. Rear, Flemish-type cottages of workers.

Below, English worsted being finished on high-speed cropping machine at G. Garnett & Sons, Ltd.; below left, power loom at Japan's Daito Woolen Spinning & Weaving Co., Ltd.

Courtesy Central Office of Information, London



Textile Progress Abroad

—the modern textile mill today is built for precision performance

Progress in cotton and wool textile mills abroad is aiding production and trade in the world's two big natural fibers and helping them meet the growing competition of the fibers man invents.

In the last 10 years, modernization has been the keynote everywhere. But progress has been most marked in the countries where industry had to start nearly from the ground up after World War II. In Germany, part of France and the Low Countries, Japan, Korea, the Philippines—wherever old-fashioned mills were destroyed, new ones have risen. Many of them house all new machines.

Forced by the war to do extensive rebuilding and re-planning, mill owners ended by revolutionizing their whole industry. New buildings are scientifically planned for space and strength. Lighting is the most modern. Air conditioning delivers the right volume of clean air at the right temperature and moisture. Materials handling from machine to machine is now often automatic. Quality control has been simplified and its cost cut; this contributes to overall quality performance.

The biggest difference, though, is in the machines themselves. For 50 years, textile processes had stayed basically the same; but since the war a new machine has been developed, or a traditional one improved, for almost every stage of manufacture. Today's producer of wool and cotton goods is alert to all these changes in technology, for he finds that they pay off in larger output, lower costs, and even better quality than he had in the old days.

Japan's Toyo Spinning Company ("Toyobo") uses combers of Nasmith type to process cotton in its Hamamatsu mill.

Photo from Toyobo

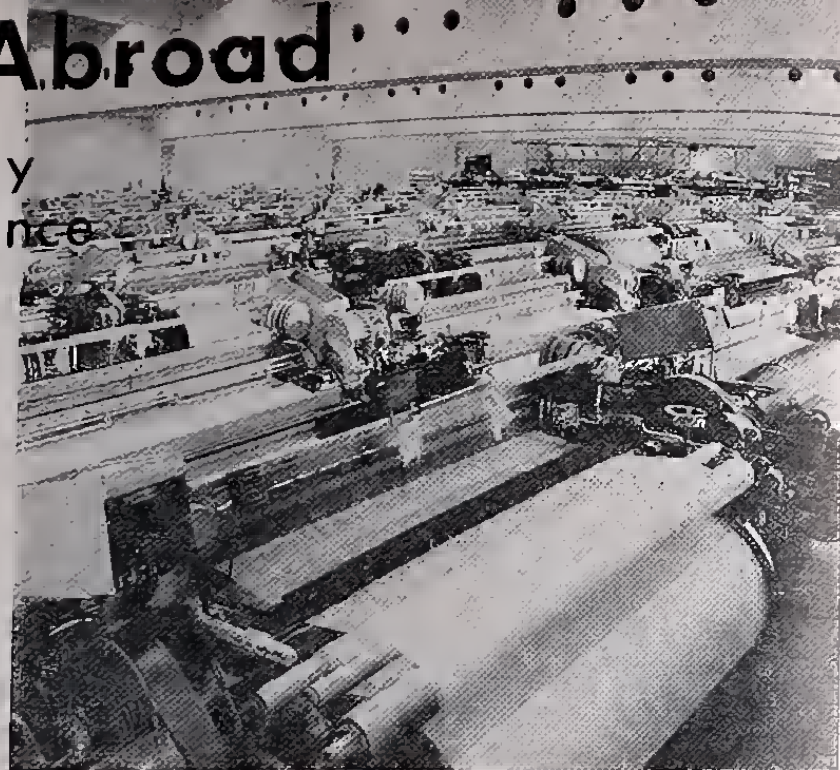
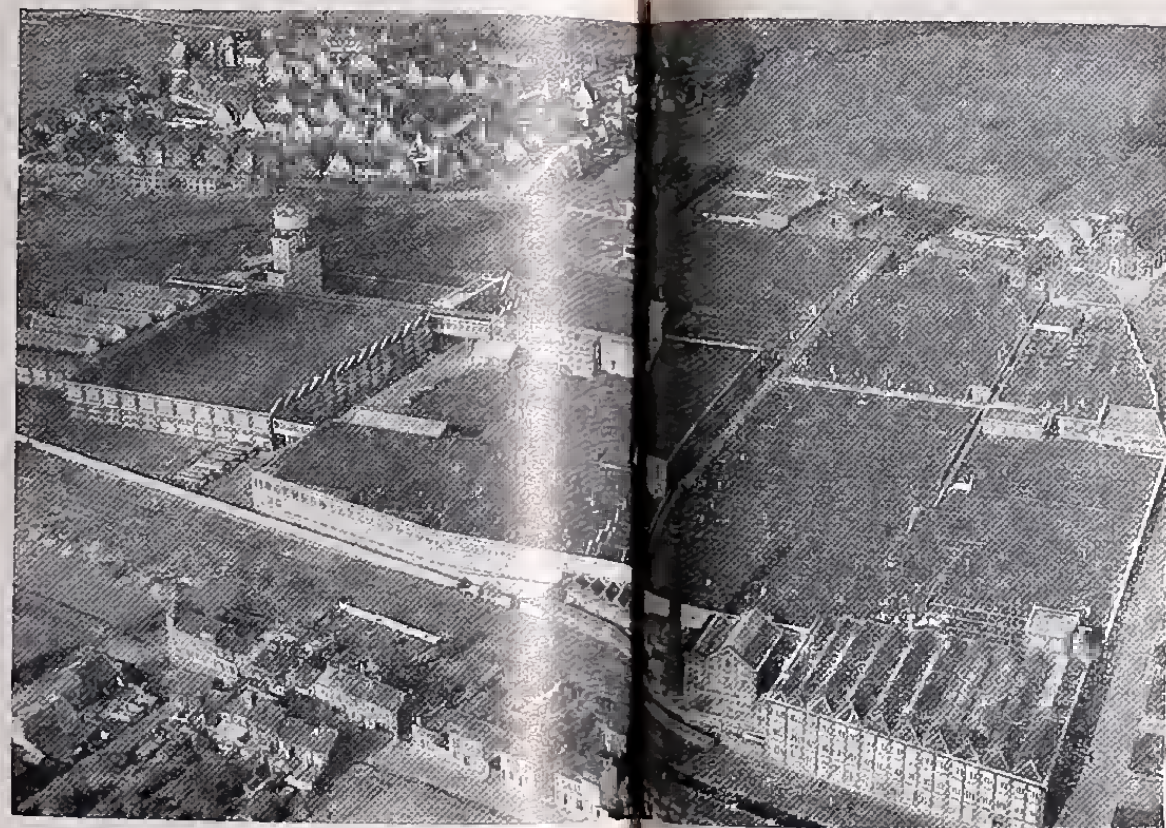


Photo from Remy Baulers

Weave room at Cotonniere de Bruges, Belgium. Beams are ducts, deliver same amount of conditioned air at each vent.



Royal Netherlands Cotton Spinning Mill, Hengelo, replaces one bombed in war. Spinning frames have individual drives.

Photo by Horace G. Porter



Photos by H. K. Ferguson

Near Lisbon, the Portuguese Wool Producers' Cooperative has a modern finishing plant. Above, greasy wool is sorted.



Below, English worsted being finished on high-speed cropping machine at G. Garnett & Sons, Ltd.; below left, power loom at Japan's Daito Woolen Spinning & Weaving Co., Ltd.

Courtesy Central Office of Information, London





In Rangoon U.S. cotton specialist Guy A. W. Schilling inspects U.S. cotton imported by Burma under P.L. 480 for manufacture with its own short staple.

Big Share of U. S. Cotton Exports May Go to Asia and Australia

In 1956 and again in 1957, Guy A. W. Schilling, FAS marketing specialist for cotton, visited the free countries of Asia to study their textile industries and their potential as buyers of U.S. cotton. Last spring, he repeated this trip—with a few changes in route—and in the following article reports on the situation today and the progress made.

On my two previous trips to the Far East I found that every one of the free countries of Asia was not only trying to become self-sufficient in cotton textiles but was also trying to become a textile exporter. On my trip this year I noted that this trend still exists. And I noted too that Asia and Australia could very easily take a large share of our total cotton exports in 1959-60.

Cotton shipments to Asia and Australia in 1956-57 represented about 33 percent of total U.S. cotton exports. For 11 months of the 1958-59 season they were about 45 percent, or 1,269,000 bales of 500 pounds each. Exports to Asia declined much less than to other parts of the world; in fact, exports to Korea, the Philippines, and Formosa were higher than previously.

Since total U.S. cotton exports in

1959-60 are expected to be greatly above those of the previous year, shipments to Asia and Australia should also show a gain—possibly reaching 2 million bales. But whether this figure is reached will depend on whether Japan will take 1 million bales or more.

As for the trend toward self-sufficiency in cotton textiles, this will most likely be intensified for several years to come in the less developed countries. As a result, less raw cotton will be bought by countries now exporting textiles to Asia, and more by other Asian countries that are developing their own cotton textile manufacturing industries. Countries like Korea, Formosa, the Philippines, and Indonesia will continue to depend almost entirely on U.S. aid programs, but the other countries in the area will buy cotton

Japan.—My trip began last April, and Japan was the first country I visited. Under normal conditions this country should be close to a million-bale market for U.S. cotton. It was in 1956-57 and 1957-58, and with competitive U.S. prices in the current marketing season, this level should be achieved again. However, Japan's trade with their own foreign exchange.

agreements or arrangements with countries in Central and South America and Asia could upset this possibility.

Cotton consumption in Japan is more or less fixed by the cotton import budget, which in this Japanese fiscal year has been raised by about 270,000 bales above the previous year. This indicates that the position of the cotton textile mills is fairly good and that cotton is not expected to lose markets further to the manmade fibers in the near future. Japan's foreign exchange position has improved materially within the past 12 months; also, Japan recently obtained a \$30-million loan from the Export-Import Bank. Consequently, it will not need to finance its cotton purchases through U.S. Government programs.

Philippine Republic.—No country in Asia has made greater strides in recent years in expanding its cotton textile industry than the Philippines. In 1955 it had 38,000 spindles and today it has 270,000. By the end of 1959 it should have about 300,000 and further expansion is planned. The Philippines should, therefore, import over 100,000 bales of U.S. cotton this season.

Hong Kong.—Although the cotton textile industry in Hong Kong will not materially increase its spindlage—now about 364,000—the industry is expected to be fully occupied. The United States will continue to be its major cotton supplier, with exports this year exceeding 100,000 bales. In addition to cotton for free dollars, Hong Kong will obtain U.S. cotton under the triangular Title I, P.L. 480, arrangements with Burma and Indonesia. Under these arrangements, the colony will participate as processor of the U.S. cotton furnished these two countries to pay for raw cotton content of the textiles.

Korea and Formosa.—Though I did not visit Korea this year, I believe

(Continued on page 22)

Belgium processes much flax of other countries. Right, top-grade straw before its seeds are combed out, and straw drying in field near Courtrai after retting has loosened fiber.

Photos by Robert N. Anderson and Horace G. Porter



West Europe's Flax Industry Is Having Difficult Times

Western Europe has been in the flax business ever since the Stone Age lake dwellers of Switzerland discovered that flax fiber could be spun into yarn. And down through the centuries the very word "linen" has stood for excellence in textiles. The Egyptians spun flax into gossamer fabrics. The Chaldeans and Babylonians developed linen-making into a high textile art. In Rome, people seeking election to public office showed the purity of their intentions by wearing togas of white linen; and in England, "fine linen" was a king's fabric to the translators of the King James Bible, just as purple was a royal color.

Today Western Europe's flax industry faces a two-pronged threat—first, long-term competition from other fibers, which are gradually usurping the place linen has held for thousands of years; second, the reappearance of lower priced flax from the Soviet Union, which in prewar days grew as much flax as the rest of the world put together.

Flax just off scutching machine has had much of its woody stem combed out; worker bunches it for further processing.



Even now the danger signals are up for Western Europe's flax industry. Since 1955, total flax area there has decreased more than 40 percent. The three biggest producers—France, Belgium, and the Netherlands—have cut their production sharply; and in the United Kingdom flax production has stopped altogether.

Changes in Demand

Linen no longer stands practically alone as a quality fabric. Extra long staple cottons can make goods as sheer as finest linen. The various blends of cotton with silk or other fibers offer lusters and textures as rich. Rayons are catching up fast in strength and stability. Other manmade fibers offer other advantages.

Moreover, most of the competing fibers and fabrics are less expensive than linen. Costs of producing flax and linen are high, partly because industries of such prestige and

Famous Flemish wheels, turning at high speed, give bunches of fiber another working. Every working means finer fiber.



tradition sometimes find it hard to revamp their procedures and adopt new methods.

Many of the newer fibers are used in fabrics aimed especially at the drip-dry or wash-and-wear market. Here linen has as yet nothing to contribute; it requires expert laundering to look its best. Even crease-resistance, now built into most dress linen, cannot do more than preserve a garment's fresh appearance between washings.

In its industrial and heavy-duty uses, too, flax is yielding to other less costly materials, such as cotton and jute, foam rubber and kapok, nylon and rayon. True, the high reputation of flax for strength and durability has kept it ahead in some everyday uses. Many U.S. manufacturers prefer it for sewing thread, shoe thread, fish lines, and other strong threads and twines. During war periods, too, when access to other fibers may be cut off, flax has filled important military needs. But for ordinary heavy-duty uses in normal times, its price is too high.

Soviet Competition

The Soviet Union (including the former Baltic states) has by far the world's largest flax area—so large that a variation in yield one year may change its output by an amount equal to the Belgian, French, and Dutch crops combined. Soviet flax production has recovered to a considerable extent from World War II damage, though acreage is still below prewar and declined somewhat in 1957 and 1958. Soviet exports, though still small compared with those before the war, are again making inroads into top flax markets like the United Kingdom and West Germany, where they had been of little importance for more than 15 years.

Soviet flax even competes with domestic flax in France, Belgium, and the Netherlands. Linen industries in these countries have agreed to limit their imports of Soviet flax to 10 percent of their needs. In the complex pattern of Western Europe's trade in flax and flax products, these imports are a disturbing element.

France, with the biggest flax acreage in Western Europe, used to send much of its flax straw to Belgium for retting and scutching, and then receive fiber

back for spinning in its own linen industry. In recent years the French have expanded their own processing industry to help supply fiber for their mills.

The Netherlands too has traditionally sent Belgium straw for processing, receiving linen yarn back for manufacture. Belgium itself, besides processing straw from other countries, has been a main exporter of fiber to the United Kingdom, the United States, and Ireland, and of yarn to West Germany.

Changes in Production

This twofold competition that Western Europe's flax is facing—from other fibers and from Soviet exports—is reflected in the marked production decline from the high levels reached during and after the war. In that period, while supplies from the Baltic area and the Soviet Union were zero or close to it, flax production in Western Europe steadily expanded under government encouragement. The United Kingdom alone increased its flax area to more than six times the prewar size.

But in the past few years, prices have fallen to the point where flax growing is uneconomic except where conditions are exceptionally good or the crop has government aid. Even such aid has not prevented acreage from declining in all three major flax countries of Western Europe. The United Kingdom ended its Home Flax Scheme in 1955.

Besides the Soviet Union, other Communist countries of Europe have also brought their flax output up since the war. For many reasons, flax culture has the blessing of Communist economic planners. The crop is useful in rotation. Still largely hand-raised and hand-processed in these countries, it can be grown without a large investment in machinery. However, in the economic coordination of the region, Czechoslovakia has the assignment of manufacturing flax combines to handle the output from Poland's sizable acreages as well as its own and Rumania's. (Flax area in the other Eastern countries is negligible in comparison.)

Flax culture can help Eastern Europe cut down its needs for imported fibers such as cotton and jute. And, if production continues to increase, the crop could become the basis for important

flax-processing industries there—perhaps even for exports of fiber or finished goods. At present, however, home needs apparently absorb all the flax these countries can produce and also provide an outlet for part of the abundant harvests of the Soviet Union.

Outlook

Western Europe's trade in flax and linen products may be small in terms of total trade, but it is important in terms of tradition and prestige. The countries of Western Europe take pride in their flax and linen industries; they are unwilling to see old skills disappear and established firms go to the wall. At the same time, both the growers and the processors of flax have been heard to admit that other fiber industries may have moved ahead of them in adopting new techniques to increase production, decrease costs, and attract consumers.

As part of the fight for markets, the flax and linen people are working to modernize their own technology. Machines are moving in to supplement costly hand labor both in flax fields and in processing plants. New cotton-working techniques are being adapted to the flax fiber. Blends and mixtures of flax with other fibers are being vigorously promoted, as well as the pure flax fiber itself.

The flax and linen industries of the various countries, through trade journals and international trade associations, are reaching across borders in joint efforts to develop and maintain the use of their products both at home and overseas. A willing target for their export efforts is the United States, which, as a high-income country, has a constant demand for top-quality dress linens, fine napery, and the like. U.S. housewives, many of whom have European backgrounds, well appreciate the heirloom qualities of linen household goods; and the U.S. fashion industry is a steady user of fine European dress linens. For flax in its industrial uses as well, the United States still has small needs, having produced no fiber flax of its own since the heavy wartime demands dwindled away. Thus U.S. consumers and West European producers of flax and flax products have considerable mutual interest in the survival of Europe's flax industry.

The Indus River Basin comprising the Indus and its five tributaries covers 348,000 square miles. Current negotiations propose giving India exclusive use of the Eastern Rivers—the Sutlej, Beas, and Ravi—and in return Pakistan will get financial help for building canals from the Indus River and its Western tributaries, the Jhelum and Chenab.

Indus Waters Dispute —and why its settlement is vital to Pakistan's agriculture

By William F. Hall
Far East Analysis Branch
Foreign Agricultural Service

Recent negotiations in London point to the settlement next year of a dispute that has strained relations between Pakistan and India ever since the partition in 1947, which left Pakistan with undefined rights to the waters of the Indus River system. With almost half the cultivated land in Pakistan irrigated by this system, Pakistan's agricultural economy depends largely on an equitable apportionment of these international waters, which originate outside its borders.

Giving rise to the dispute over the Indus waters was the division of the largest irrigation system in the world. Several big diversion dams were left under Indian control, with canals in West Pakistan depending on them for water. This made it possible for India to close off the flow of water in 1948 in all canals that cross from India into West Pakistan. India's strategic geographical position in the Indus Basin was dramatically emphasized by this action, and the resultant unrest and anxiety in West Pakistan could foreseeably have led to a serious crisis had not India resumed the flow of water.

However, sharp disagreement over the waters has continued.

For nearly 7 years, the International Bank for Reconstruction and Development (World Bank), acting as mediator, has been trying to settle this dispute. Finally, this past August, a basis for a firm agreement was reached. Pakistan and India decided to divide the Indus River system, consisting of the Indus and its five tributaries. This agreement is contingent on the signing of a water treaty early in 1960, and negotiators are working out the details.

Ten-Year Program

Pakistan has agreed in principle to give India exclusive use of the three tributaries known as the Eastern Rivers, which together constitute an important source of water for irrigation in Pakistan's part of the Indus Basin. In exchange, India and other countries are to give financial assistance to Pakistan for the construction of link canals from the Indus River and two of its tributaries, known as the Western Rivers, to replace water now supplied by the Eastern Rivers. This

project is part of the \$1-billion 10-year replacement and development program proposed by the World Bank. Officials of the World Bank have interested the United States, Britain, Canada, Australia, New Zealand, and West Germany in giving financial assistance.

Until the treaty between India and Pakistan is concluded, complete details of this 10-year replacement and development program are not available. As projected, it envisages the expansion of irrigation facilities of both countries and includes the construction of link canals and two storage dams in West Pakistan and one dam in India. These dams are to be for storage, since the irrigation system of the two countries does not have storage facilities for the surplus waters of the Indus system.

The link canals that are to join the Western Rivers to the areas under irrigation in the Indus Basin in West Pakistan will traverse close to 200 miles. When completed they will carry an amount of water equal to what Egypt might expect from the High Aswan Dam project. In some instances the individual link canals will be of a



size sufficient to carry 10 times the discharge rate of the Thames River.

Indus Basin Division

When Pakistan was partitioned from India in 1947, a country with two parts emerged: West Pakistan and East Pakistan, separated by 1,000 miles of India. At the same time, 70 million acres of irrigated land and canal systems were divided between the two nations. Pakistan received 22 million acres and India, 48 million. Almost half of this divided acreage lies in the Indus River Basin; and since some 60 percent of the total Basin land is within the borders of West Pakistan, it is this western part of the country that is affected by the Indus waters dispute.

Since the 1947 partition India has constructed additional irrigation projects reportedly capable of utilizing all of the so-called Eastern Rivers—the Beas, Ravi, and Sutlej—now used by both countries. Pakistan has also increased its irrigated acreage. But because of these increased irrigation facilities in both countries the capacity of the three Eastern Rivers is insufficient to meet the maximum demand of both countries. If Pakistan's concession to India is included in the final draft of the treaty, the substitution of the Western Rivers for the Eastern Rivers by link canals will solve this problem. These canals will take an estimated 10 years to build and construction will be effected without interrupting the current availabilities of water in the Indus Basin to West Pakistan.

The two storage dams in West Pakistan are to help alleviate the shortage of water there. The irrigation system of the Indus Basin was developed over the centuries without storage facilities. Thus, each year huge quantities of water flow unused down the Indus River into the Arabian Sea. This water cannot be used because the periods when the largest amount of water is available for irrigation do not coincide with the period of greatest need.

Rainfall that swells the rivers generally is concentrated in July and August. The two crop seasons in West Pakistan are the Kharif, when crops are sown in May and June and harvested in October and November, and the Rabi, when sowing takes place in November and December and harvest-

ing in April and May. The July-August rainfall is not available for the spring planting (Kharif). During the winter there are light rains, which are helpful because they provide water for the planting of the Rabi crops plus water for irrigation. But double cropping is limited because of overlapping of the two crop seasons and the shortage of water.

Waters Vital to Pakistan

Without the Indus waters Pakistan's ability to survive as a nation would be seriously affected. The Indus system irrigates about 80 percent of the total cultivated land in West Pakistan, all of which would revert to desert without these waters. Any large decrease in agriculturally productive land in West Pakistan would adversely affect the economy since the export of farm products provides about 80 percent of the country's foreign exchange.

Also, some 85 percent of the population of West Pakistan is classed as rural and depends on agriculture directly or indirectly for its livelihood. While the average production from some 60 million acres of cultivated land (including East and West Pakistan) is nearly sufficient to meet national food requirements, the failure of rains in West Pakistan and the occurrence of floods in East Pakistan frequently have catastrophic effects on agricultural production.

The maximum development of irrigation in West Pakistan, based on the erratic flow of the Indus system, has nearly been attained. Further expansion will require storage facilities for the surplus water of the Indus system. Of more than 100 million Pakistan acres in the Indus Basin, 75 million are classed as cultivable, but the area now sown in crops is only about 27 million acres, 90 percent producing only one crop a year.

Basin Crops

Important crops grown in the Indus Basin of West Pakistan (mainly in the former Punjab and Sind provinces) are cotton, wheat, oilseeds, rice, and sugar. Cotton is a leading export crop and the source of raw material for Pakistan's textile industry. Wheat supplies the main item of diet of the West Pakistani, and other small grains and

oilseeds also make a big contribution to total food production. Since about 90 percent of the rice produced is grown in East Pakistan, that grown in West Pakistan is less important than other crops. However, West Pakistan's rice includes the superior long-grained varieties that are exported when production is greater than domestic requirements. Sugarcane in the former province of Punjab in past years has accounted for over 40 percent of the total production in Pakistan.

This production of the Indus Basin is vital because part of it must go to help meet the food requirements of East Pakistan, where most of the agriculturally productive land is mainly suitable for crops that can be grown in standing water, i.e., rice and jute. Furthermore, while Pakistan's crop output has remained relatively static over the last few years, its population has continued to rise. Today Pakistan has an estimated population of 87 million and this is increasing at more than 1½ percent a year. Any expanded development of the Indus Basin would help maintain food production at a satisfactory level under this pressure.

Still another important advantage of the Indus system to West Pakistan is its hydroelectric potential. The Indus Basin is comparatively level for the most part and this limits hydroelectric development. However, in recent years the difference in levels between neighboring canals and the drops along the same canal have been utilized for generating electricity. A good example is the Rasul Hydroelectric Scheme, where a difference of 81 feet between the upper and lower Jhelum Canals has been used to generate power. The total hydroelectric potential in West Pakistan has been estimated at 9.3 million kilowatts, with over 60 percent located in the Indus Basin.

This source of electric power is as important to Pakistan's developing industries and increasing urban requirements as the Indus waters are to its agriculture. So it is obvious why Pakistan earnestly seeks settlement of the Indus dispute with its neighbor, India. An agreement on this long and disturbing problem could well form the basis for improved relations between the two nations and prove beneficial to the agriculture of both.

Chile's Agricultural Trade Problem

This South American country is showing signs of economic recovery. The question now is—can it grow the food it needs or must it continue its substantial imports?

By Howard L. Hall
Latin American Analysis Branch
Foreign Agricultural Service

Growth of inflation and monetary deficits led Chile in 1956 to initiate trade and monetary reforms. This move was strengthened in 1958 by new reforms which freed the exchange and banking system of restrictive controls. Thus, as Chile entered its fourth year under its stabilization program, there were important signs of recovery. Although still a problem, inflation has been slowed, and the output of copper and industrial products is on an up-trend, with a significant rise too in the country's foreign exchange reserves.

Chilean recovery, however, is still hampered by a serious agricultural trade problem. Before World War II, farm production usually provided an export surplus to supplement trade in copper, nitrate, and other minerals. After the war, production failed to keep pace with demand, and Chile became a net importer of farm products. The agricultural trade deficit reached peak levels from 1954 to 1956, when the country was importing up to 20 percent of its food and fiber requirements. In the last 2 years, the farm trade deficit has been reduced about 20 percent but it still constitutes a heavy burden on the country's exchange resources.

Limited Farm Area

Increased self-sufficiency in food and expansion of farm trade are both important goals in Chile's economic stabilization program. But despite the greater incentives provided by the new reforms, Chilean agriculture may be slow to respond to the future demands of the population because of the country's restricted farm area. Terrain and climate limit output to about 40 percent of the 286,400-square-mile land area.

In the north, which contains much

of Chile's mineral production, agriculture is confined to small areas where irrigation is available. Southern Chile is too wet for crops and large holdings are devoted to sheep raising and forestry enterprises. The potentially arable land is estimated to be 13.5 million acres according to the 1955 census. Most of this land is already in use—located mainly in the central one-third of the country where agriculture and much of its 7 million population are concentrated. Expansion, therefore, must come from higher yields.

About 3 million acres or one-fourth of Chile's arable land is devoted to cultivated crops. Another 1.5 million acres is planted to fruits, vines, and forage, with the remainder in pasture and fallow. Irrigation is usually needed to supplement winter rainfall for satisfactory crop and pasture production in the northern and central agricultural zones. Expansion of the crop area has been restricted during the past two decades by the system of land tenure under which much of the better land is held in large estates.

Diversified Agriculture

Though the amount of cultivable land is small, Chile's climate and soils support a widely diversified agriculture. Wheat and cattle rank as the principal farm enterprises—although production is usually not sufficient to meet domestic requirements. Vegetables (including pulses), fruits and grapes, wool, barley, and oats are produced both for domestic use and export. Corn, rice, sugar, oilseed, hemp, and tobacco are important crops, but these are usually supplemented to some degree by imports. Chile depends entirely upon foreign markets for needed supplies of products like cotton and beverage crops.

Agriculture was neglected after

World War II as Chile attempted to industrialize. Restrictive price and trade controls caused a lag in farm output, and by 1950 the per capita index of total production (1934/35-1938/39=100) had dropped to 96. Despite a subsequent improvement in farm price levels, the per capita production index had only risen to 107 by 1955. During the period, larger per capita production of vegetables, fruits, and dairy products was partially offset by the declining output of grains, pulses, meat, and wool.

The postwar industrial development raised general income levels and encouraged movement to urban centers. Price controls and subsidies maintained low consumer prices for many farm products. By 1955, per capita food consumption exceeded postwar (1935-39), by 25 percent as daily food intake rose from 2,100 calories to nearly 2,700. The result was a decline in agricultural exports and a more-or-less simultaneous expansion of imports. Imports of basic commodities were maintained through government trading monopolies while quotas and taxes were imposed on exports to meet growing demand for farm products.

The lag in farm production exerted pressure upon the Chilean economy: First, through substitution of agricultural imports for imports of capital goods, raw materials, and other goods needed to accelerate economic growth; and second, through the heavy fiscal expenditures required to maintain low consumer prices in face of rising farm costs. These forces contributed heavily to growth of inflation, which became acute after 1953 and led Chile to initiate its economic stabilization program in early 1956.

Trade Reforms

One of the important features of the stabilization program has been the establishment of a single free exchange market to replace the former system of multiple rates used to regulate foreign trade. Import licensing and prohibi-

tion have been eliminated. Currently, the exchange system is being supplemented by a system of advanced import deposits, payable in dollars or pesos. These deposits vary. They range from 5 percent for raw sugar to 100 percent for wheat, cotton, and coffee beans and to 5,000 percent on such products as refined vegetable oils, wheat flour, tobacco, cheese, and condensed milk. Deposits are to be eliminated later and replaced by a revised system of import duties.

Licenses are still required in order to enforce established export quotas. However, agricultural products have been freed from export duties, and free exportation is now permitted for most products formerly prohibited or subjected to quotas. Also, government trade monopolies have been eliminated with the exception of the wheat and frozen-meat monopolies.

To a large extent, the domestic market has been freed of restrictive marketing and price controls. A recent government decree removed quota restrictions on slaughter and permitted free movement of meat throughout the country. In so doing the government hopes to end local monopolies and improve the competitive position of livestock produced in areas distant from the important population centers. Chile continues to maintain guaranteed prices to farmers to encourage production of wheat and sunflowerseed.

Thus the effect of exchange and trade reforms has been a strengthening of farm prices through depreciation of the exchange value of the Chilean peso and removal of domestic price controls. With these changes, the 1958-59 guaranteed price to wheat producers more than doubled that maintained during the 1955-56 marketing season. This and other price advances encouraged record plantings of wheat, corn, oats, rice, and other important crops during the past 2 years. Higher prices also lowered consumption of agricultural products including wheat, sugar, edible oil, and meat.

New Emphasis on Agriculture

Exchange and trade reforms are to be supplemented by aids provided under a long-range agricultural and transport development program. Recent legislation, which decentralized banking

controls under a deposit reserve and rediscount system, is expected to expand funds available for medium- and long-term farm credit. Irrigation, which is essential to agriculture in many areas, is being expanded. Under present plans, the irrigated area will be extended to nearly 5 million acres or about one-third of the arable land area. Highways and farm-to-market roads are being improved. And agricultural research and extension services are being developed through cooperation of the Ministry of Agriculture, local universities, and various foreign technical assistance agencies.

This new emphasis upon agriculture is a sharp contrast to the neglect and restrictions of former years, and it may encourage a significant rise in farm production. However, productive agricultural land is limited, and the existing system of land tenure may slow efforts to improve farm productivity. True, inflation has been checked, but rising farm costs could restrict expansion of Chile's farm exports. With population growth exceeding 2 percent annually, Chile will probably find it difficult to regain its prewar position of self-sufficiency in agricultural production. In the years ahead, import demand may increase at a much slower rate, but as the country's population grows and its economy develops, Chile should continue to provide an important market for farm products.

Changing Venezuelan Market *(Continued from page 4)*

all of this market.

Local vegetable oil has replaced most of the lard imports. Plans are under way to build a hydrogenation plant for operation in early 1960 to hydrogenate oil from soybeans—not grown locally. This oil will replace the hydrogenated fat imported in the past.

In one particular area expanding local industries have increased the need for imports. Foreign purchases of animal feeds and breeding animals have been boosted by a livestock development program, the wider needs of the rapidly growing dairy industry, and further expansion of the poultry industry.

The Future

Although some U.S. farm products

were hard hit in the Venezuelan market between 1957 and 1958, a growing market was there and it looks as if this growth should continue for some time.

In Venezuela, one gets the definite feeling of economic progress. With plans for further developing the economy already made, it should move at an accelerated pace in the years ahead. The small proportion of the population—only about a third—now furnishing a market for imports could be greatly expanded. The effects of larger numbers of people and consistently higher purchasing power already are being reflected in greater consumption. The country is working hard to produce more and to promote consumption of home-produced items. It has a "buy Venezuela" campaign started to stimulate use of national products, and recently it started licensing imports of several items.

Also, Venezuela has indicated its desire to increase customs duties to protect existing industries against foreign competition and to create conditions favorable to the establishment of new industries. So far, however, home output of some products is lagging behind consumption. Currently it is impossible for Venezuela to produce economically all of the food needed. Land and financial resources to expand agriculture far beyond present levels are available, but self-sufficiency is limited by a number of factors. There is no countrywide extension program. Credit and marketing facilities are inadequate. And many products are not graded nor classified as to quality. Further, the large expenditures needed to develop irrigation, education, and rural housing will, at least in the beginning, add to the already high cost of living.

What the United States will be able to do in helping to supply the growing demand in Venezuela for products that are not supplied locally will depend largely on our ability to compete with other countries. To increase our sales despite this competition we need, first, more competitive prices, and, second, a more dynamic sales effort to promote our products. Quality should be kept in mind too as well as local preferences. U.S. products have been well received by our Venezuelan neighbors in the past and there is no reason why they should not continue to be.

Foreign PRODUCTION NEWS

Colombia's banana crop has been damaged by recent hurricanes. An estimated 4 million bunches were destroyed in addition to extensive plant damage. Shipments are expected to be curtailed substantially. Europe is Colombia's main banana market, but the United States buys fairly large quantities.

Trinidad's 1959 weather has been the driest of this century. Recent rains were too late to prevent extensive damage to many farm crops. **Sugar, citrus, cacao, and copra** have all been affected. Another complication has been the serious fire damage to cacao, coffee, and teak plantations.

Although the drought in **Communist China** has partially broken, **farm production** is still threatened in some areas. In addition, swarms of locusts and other insects are adding to the destruction. Effects of these hazards have not yet been estimated, but the government has drastically lowered 1959 production targets.

Syria lost about a third of its total **sheep** flock in 1958-59—about 2.2 million head. At the beginning of the season, sheep were in poor condition because of feed shortages resulting from the 1958 drought. The severe winter that followed caused heavy losses from starvation and disease. Wool output was down about 40 percent. Syrian wool is virtually all carpet variety and is shipped mainly to the United States and Russia.

Indonesia's hard fiber output continues to decline. Production in the first half of 1959 was down 27 percent from the comparable period in 1958, and no new plantings have been made in recent years. Australia, Japan, and the United States are the principal buyers of Indonesian hard fibers.

Major Coffee Countries Sign International Coffee Agreement

An International Coffee Agreement for 1959-60 was signed in Washington on September 24, 1959, covering the marketing season October through September. This agreement, like the Latin American Agreement which it replaces and before that the Mexico City Agreement, has a principal short-term objective of maintaining some stability in prices through limiting exports and providing an orderly movement of coffee in international trade.

The new agreement, however, has a broader coverage than the Latin American Agreement. In addition to the Latin American producing countries, major coffee countries of Africa are participating for the first time. France and Portugal signed as full participants in behalf of their overseas territories. The United Kingdom and Belgium signed "declarations of intent," which provide maximum export quotas for their overseas territories. Thus, this agreement qualifies for the term "world agreement"—a point of considerable significance.

The problem of price stability becomes more acute as world coffee surpluses continue to mount. The world's carryover of coffee at the end of the 1958-59 season was about 38 million bags (132.276 pounds each). The 1959-60 world crop is estimated at 67.4 million, far above any foreseeable needs for the current season.

The new agreement calls for fixed export quotas, in contrast to the retention-type plan of the Latin American Agreement under which each signatory country agreed to retain a fixed proportion of its 1958-59 exportable production. For calculating these quotas, crop estimates of the U.S. Department of Agriculture were used.

The idea of fixed export quotas was accepted in principle by most countries early in the negotiations; but there was difficulty in deciding on the method to use for determining individual country quotas. After much discussion and study, a plan was worked out which provides that export quotas for each of the signatory countries will be equivalent to 90 per-

cent of the largest annual exports during any one of the past 10 years.

However, any country with an exportable output of less than 2 million bags may ask the Board of Directors to readjust its quota if the third or fourth USDA estimate of its 1959-60 exportable crop should indicate need for such adjustment. Specifically, the quota may be placed at 88 percent of either the December 1959 or the March 1960 estimate, or both, if the result would be larger than the figure obtained by the 90-percent formula.

This agreement places considerable emphasis upon the long-term objective of bringing world supplies more nearly in balance with requirements. This is the real heart of the coffee problem, for 1-year agreements can only be stopgaps. The new agreement provides for the cooperation of such international agencies as FAO and the World Bank in preparing the studies and analyses necessary to formulate more definite programs in this area.

Efforts are constantly being exerted to develop "new markets." For the purposes of the agreement, a number of countries that have imported and consumed little, if any, coffee have been specified as "new markets," and coffee shipped to them will not be charged against export quotas.

The agreement likewise emphasizes increasing consumption. Each of the signatory countries (with few exceptions) is to contribute up to 25 cents, or its equivalent in coffee, for each 60-kilo bag exported during the 1958-59 season. This contribution is to be used in stepping up the publicity campaign aimed at increasing coffee consumption. The current level of world coffee consumption is around 49 million bags per year. Many informed coffee people believe that this could be increased in 1960 to at least 52 million by an aggressive promotional program. The potentials of such a program are apparent; world exports of coffee are already approaching a level of 40 million bags per year, and their value exceeds that of any other agricultural commodity.

Far East Cotton Markets

(Continued from page 14)

that this country will again take close to 250,000 bales of American cotton, all with U.S. aid funds on account of the continuing shortage of foreign exchange. Its textile industry has around 450,000 spindles, and no further increase is planned.

I had to skip Formosa too, but this country is in about the same position as Korea. It will again import around 150,000 bales of our cotton under U.S. programs. There seems to be no indication that its present spindlage of around 250,000 will increase unless textile export outlets should expand.

Indonesia.—On my last visit to Indonesia in 1956, the Dutch were still active in their firms and were still serving in the government as advisers. Their absence was noticeable; still I had the feeling that things were more settled. Even so I was unable to get out of Djakarta because of transportation problems, so did not see the mills in Surabaya, Tegal, and Tjilatjap.

Currently Indonesia's mills have 127,000 spindles, and the government plans eventually to increase the spinning capacity to 500,000 spindles. This, however, will take time. Growing little cotton itself, Indonesia needs raw cotton imports, and this season the U.S. share will probably run to above 50,000 bales, of which about 35,000 will be under Public Law 480. Furthermore, as long as Indonesia is unable to supply the textile needs of its vast population because of its small mill industry, it is forced to import large quantities of yarns and cloths. So under existing conditions, it will probably request further triangular Public Law 480 deals whereby U.S. cotton is processed in third countries.

Burma.—Rangoon, as a city, has improved considerably since my last visit, but the economy of the country has not changed much. There are now two textile mills, as against one 3 years ago, bringing total spindlage up to 40,000. Expansion is planned but the building of additional mills is slow.

Burma is a cotton-growing country, but its crop is not entirely satisfactory, being mostly less than $\frac{7}{8}$ " staple. Consequently, it will continue to need U.S. cotton and because of its financial sit-



British Dairy Queen, 18-year-old Marjorie Watson, samples a glass of U.S. milk poured for her by Clarence L. Miller, Assistant Secretary of Agriculture. Chosen from 4,000 contestants, the young queen is touring the United States and Canada, as a guest of the American Dairy Association, to get people to drink more milk.

uation, this will come in through P.L. 480 programs. About 10,000-15,000 bales a year may be the extent of Burma's imports from us.

Thailand.—Like all other countries in Asia, Thailand wishes to stop imports of textiles, or at least reduce them to a minimum. To do this the government is encouraging the building of mills and finishing plants. So far, the country has 38,000 spindles, but is thinking in terms of 160,000 spindles. Taking into account that domestic cotton production will remain at about the same levels of quantity and quality as in Burma, there should be market opportunities for 5,000 to 10,000 bales of American cotton in Thailand annually.

Singapore-Malaya.—These two countries will remain a small market for U.S. cotton. Singapore still has only one cotton mill and expansion is not foreseen. Malaya, which has become an independent Federation since my previous trips to Asia, has weaving mills but hopes to build up a spinning industry.

India and Pakistan.—This year my route did not take me to India.

With about 13 million spindles India's cotton textile industry is the largest in Asia, but no expansion is planned at present because of a lack of foreign exchange. For this same reason, its imports of American cotton, and other cottons as well, have not held up in recent years. This situation will probably continue in 1959-60, with India importing about 150,000 bales of U.S. cotton. Of course, India's imports will dwindle as its own production of longer staple cotton increases.

Pakistan—where I spent 5 days—after a phenomenal growth of its textile industry has now reached its goal of nearly 2 million spindles, and no great expansion is foreseen. Also, Pakistan grows around 1.4 million bales of cotton a year and counts heavily on its cotton exports as an earner of foreign exchange. But there will always be a small market there for Anglo-Egyptian cotton. At the present time, this is coming in through U.S. Government programs. But should Pakistan achieve a better foreign exchange position, American-Egyptian cotton would have to compete pricewise with Egyptian, Sudanese, and Peruvian cottons.

Sweden Revises Its Policy

(Continued from page 9)

taxes, a return to quantitative restrictions is mandatory, as it was under the former law.

The immediate effect of the new program, it was estimated, was to raise the prices paid to producers on September 1, 1959, by 3 percent (\$213 additional income per year on the "basic farm"). The rest of the total income gap, estimated at about \$695, will be adjusted by future price increases, internal rationalization, and a gradual increase in the size of the average holding. The size of the basic farm will be gradually increased to 50-75 acres by 1965—the end of the 6-year period.

The Outer Seven

The new program was worked out with no recognition given to the new European Free Trade Association (the Outer Seven).³ This was done deliberately, since plans for such an association were in a highly tentative and uncertain stage at the time the new policy was proposed.

To allow Sweden's participation in the Outer Seven, which the country as a whole supports enthusiastically, certain concessions will have to be granted other member countries on agricultural products and Sweden's new farm price program will have to be modified. No changes in basic goals or procedures are to be expected, however. Sweden has reached a bilateral agreement with Denmark in order to smooth the way for drafting of the Outer Seven treaty.

While the Swedish price and marketing system in and of itself does not discriminate among supplying countries, the Outer Seven—like all other customs unions, common markets, or free trade areas—necessarily involves discrimination against nonmember suppliers. However, only a small part of U.S. exports to Sweden are likely to be affected by changes in Sweden's policy. Most U.S. farm products being exported to Sweden are agricultural commodities not directly competitive with Swedish production, such as cotton, tobacco, and most fruits, nuts, and vegetables.

³ See articles in *Foreign Agriculture*, issues of September 1959 and October 1959.

TRADING POST



Brazil Imports Beans From the United States

Recently Brazil imported its first substantial quantity of U.S. beans. Severe droughts in the bean-growing area of northeastern Brazil in 1958 and in central Brazil in 1959 have shortened domestic supplies. Brazil's normal bean consumption about equals output. This year's crop—estimated at 1.2 million metric tons—is 20 percent below normal, which could mean a shortage of about 300,000 tons. Available information indicates Brazil has bought about 5,000 tons of beans from the United States. Of these, 4,250 tons were CCC-stock small red beans.

Uruguay Sets Dollar Quota For Fruit and Nut Imports

Uruguay has announced a quota of \$150,000 for dollar imports of dried fruits and nuts. Commodities covered include dates, prunes, raisins, figs, almonds, filberts, walnuts, and pinenut seed. Dried fruits may be purchased only as a raw material for reprocessing and not for direct consumption. Imports must be completed by the middle of December.

Costa Rica Raises Duty On Lard and Shortening

Costa Rica has passed a bill to provide three import duty increases on lard and vegetable shortening. The first increase, effective in August 1959, raised the duty from 5.3 cents a pound plus 2 percent ad valorem to 8.1 cents plus 4 percent. In August 1960, the rate will automatically become 10.9 cents a pound plus 7 percent ad valorem; a year later it will increase to 13.4 cents, plus 10 percent. The measure is designed to stimulate the home industry.

The Netherlands is Costa Rica's principal lard supplier and El Salvador supplies most vegetable shortening.

West Germany May Purchase Larger Amounts of Cotton

Recent expansion in the rate of cotton consumption, lower cotton prices, and reduced carryover at the end of the 1958-59 season point toward larger cotton imports by West Germany during 1959-60. The United States stands a chance of supplying a large share of the expanded market now that U.S. cotton is priced competitively. West German spinners have a preference for U.S. cotton.

Ivory Coast To Improve Export Coffee Standards

The government stabilization agency of the Republic of the Ivory Coast has taken steps to improve the quality of coffee offered for export. Since July 1959, export coffee has not been permitted to contain pits or black beans. And effective in January 1960, export beans will be classed according to size.

The Ivory Coast is the world's third largest coffee exporter. In 1958, shipments totaled 1.9 million bags, of which nearly 15 percent were to the United States.

U.K. Lard Purchases Up Sharply This Year

The United Kingdom bought 27 percent more lard from abroad in the first half of this year than in the same period of 1958. Imports from the United States, which accounted for 64 percent of the total, were up sharply. Shipments from France, Canada, and Sweden were also higher, but those from other sources declined.

Imports in June alone totaled 41 million pounds—64 percent more than in June 1958. Purchases from the United States were almost double those of a year earlier and constituted 74 percent of total imports. Lower prices for U.S. lard have enhanced its competitive position in the U.K. market.

UNITED STATES
GOVERNMENT PRINTING OFFICE

DIVISION OF PUBLIC DOCUMENTS
WASHINGTON 25, D. C.

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID

PAYMENT OF POSTAGE, \$300

(GPO)

If you do not desire to continue receiving this publication, please CHECK HERE ☐; tear off this label and return it to the above address. Your name will then be promptly removed from the appropriate mailing list.

Swiss Charge More For Export Cheese

The Swiss Cheese Union has announced that prices for Emmenthaler and Gruyere cheese for export to the United States and a number of other countries including Italy, France, Belgium, and Sweden, have been raised about 1.6 cents a pound. The reason for the price increase is the cut in Western Europe's milk supplies caused by drought.

Prices for Emmenthaler will range from 58.3 cents to 64 cents a pound depending on size of shipments and size of loaves. The prices of Gruyere will range from 58.3 to 62 cents a pound depending only on size of shipments.

Guatemala Plans To Send Frozen Beef to U.S. by Air

A new Guatemalan company has been formed for the purpose of marketing frozen beef in the United States—mainly by air shipment. Miami and other parts of southern Florida are expected to be the principal market areas.

The company has leased the cattle division of the new Guatemala City municipal slaughter house, which has a capacity for killing 80 head daily. Operations are planned to start at 25

head per day. Shipments cannot be made until Guatemala is placed on the U.S. approved list of countries that can export to the United States. Guatemalan authorities are now seeking this approval.

Cubans and Arabs Agree To Trade

Cuba and the United Arab Republic recently signed a commercial agreement granting reciprocal most-favored-nation treatment on tariff duties and customs fees.

Both farm and industrial products will be exchanged under the agreement. Farm products the Arabs will take from Cuba include salted hides, tallow, powdered milk, coffee, cacao, sugar, and leaf tobacco. In return, the Cubans will import dried fruits, almonds, dates, olive oil, onions, garlic, barley, raw cotton, yarn, and thread.

Italy's Tallow Imports Drop

Imports of inedible tallow by Italy—the most important market for U.S. tallow—are expected to total about 198 million pounds this year, down 15 percent from 1958 imports. The expected decline is caused by the combined effects of a 12-percent increase in home production and a 9-percent reduction in domestic consumption.

Exports of U.S. tallow to Italy, however, were up 20 percent in the first half of 1959 over the comparable period of 1958. This indicates that the United States is improving its position in the Italian tallow market.

French Butter Imports Rise

France has been importing relatively large quantities of butter during 1959. By July, shipments had reached 11.7 million pounds—far above the combined annual imports of 1957 and 1958. Almost all the 1959 supplies were from the Netherlands (7 million pounds) and Denmark (4.7 million) with small quantities from Argentina and Australia. Between January and July 1959, France exported 15.9 million pounds of butter—more than half of it going to Algeria.

France Eases Almond Imports

France has removed all limitations on almond imports, a move which may increase market opportunities for U.S. almond growers. For the past 5 years, France has imported from 7,000 to over 10,000 tons of almonds annually, but none have come from the United States because no dollars for almond imports were being released over by the Government of France.